

FRPO INTERROGATORY #10

INTERROGATORY

REF: Exhibit D1, Tab 2, Schedule 3, page 8

Preamble: We would like to understand better the high deliverability seasonal exchanges referred to in the following evidence from the above reference: *"The Company is also reviewing shorter term high deliverability seasonal exchanges to meet a winter Dawn requirement. These hybrid arrangements provide economic benefit to customers and offer enhanced operational flexibility."*

At a high level, please describe these high deliverability seasonal exchanges including an explanation of the hybrid aspect of these arrangements.

- a) Please provide a brief summary of the anticipated economic benefits to customers and enhanced operational flexibility.
- b) Please compare and contrast these arrangements with a simple forward purchase of gas at Dawn delivered during the winter months that is purchased in a prior period (e.g., around July 1st with the forward prices available through QRAM processing).
- c) For the last four years starting July 2013/January 2014 and for this year July 2017/ January 2018 , using information that was available in the July 1 QRAM filings, please provide the monthly prices forecasted for landed gas at Dawn for July and January of each respective year.

RESPONSE

- a) Operational flexibility is gained through the utility being able to call on the high deliverability exchange as it is required throughout the winter, which enhances the Company's ability to manage day-to-day load balancing during the volatile winter months. Conversely, a traditional exchange deal would not provide the ability to change deliveries from day to day.

The first economic benefit is in the ability to purchase cheaper summer supply for use in the winter months when supply is expected to be more expensive. The second expected economic benefit comes from the flexibility to complete the exchange in the winter using variable daily nominations which would potentially offset commodity costs on some of the highest priced days of the winter. One example to demonstrate this is:

Witness: D. Small

if in the Company's winter planning meetings a short term period of colder than budget weather is expected, the higher deliverability exchange deal could be called upon on those days instead of going to the market to purchase supply on a daily basis. Then after the short term colder than budget period ends, the remaining supply left on the exchange deal can be reserved for another expected colder than budget period.

- b) As the Company explains in response to FRPO # 17, entering into a supply arrangement with a counter party in July for January delivery is not the issue. EGD is unaware of any supplier who would be prepared to sell supply in a forward market at a price equal to current prices. A January purchase would be based upon either the daily index reported in the month of January or the January monthly index once the January contract closes. It may be possible to find a supplier prepared to sell a fixed price contract but the price payable for that supply would still be based off of a forward price curve i.e. the current price that a January contract would be trading for, and most likely at a premium.
- c) Below is the July and January Dawn pricing data for the years requested. The unit rates are expressed in US\$ /Mmbtu. Listed below is the US exchange rate applicable to those months and a CDN \$/GJ equivalent. Please note the Company only recently began including Dawn pricing on the QRAM exhibit titled "Monthly Pricing Information." For those prior years where the information was not shown the unit rates were based over the same 21-day period

	21 Day Average Dawn	21 Day Average US Exchange	
	\$US/MMBtu	\$CAD/\$US	Canadian \$/GJ
Jul-13	4.4481	1.0228	4.3122
Jan-14	4.7218	1.0272	4.5973
Jul-14	4.7070	1.0907	4.8659
Jan-15	5.0219	1.0956	5.2149
Jul-15	3.0232	1.2188	3.4924
Jan-16	3.6007	1.2216	4.1689
Jul-16	2.2269	1.2973	2.7382
Jan-17	3.3460	1.2968	4.1129
Jul-17	3.2282	1.3575	4.1536
Jan-18	3.6617	1.3527	4.6947

Witness: D. Small